

**SUMMARY OF THE REGULAR MEETING OF THE  
ARIZONA STATE RETIREMENT SYSTEM  
EXTERNAL AFFAIRS COMMITTEE**

**HELD ON  
June 1, 2007  
10 a.m., MST**

The External Affairs Committee (EAC) of the Arizona State Retirement System (ASRS) met in regular session in the 14<sup>th</sup> Floor Conference Room of the ASRS Office, 3300 North Central Avenue, Phoenix, AZ, 85012. Mr. Steve Zeman, Vice-Chair, called the meeting to order at 10:00 a.m.

This meeting was teleconferenced to the ASRS Tucson office at 7660 East Broadway Boulevard, Suite 108, Tucson, Arizona, 85710.

**1. Call to Order; Roll Call; Opening Remarks**

Present: Mr. Steven Zeman, Vice-Chair  
Dr. Keith Meredith, (teleconferenced)  
Mr. Christopher Harris  
Mr. Jim McLaughlin (teleconferenced)

Absent: Mr. Jaime Gutierrez, Chair

A quorum of the Committee was present for the purpose of conducting business.

**2. Approval of Minutes of the May 4, 2007 EAC Meeting**

Mr. Zeman asked if there were any corrections or comments on the minutes of the May 4, 2007, EAC meeting. Receiving none, Mr. Zeman asked for a motion to approve the minutes.

*Motion:* Mr. Chris Harris moved that the External Affairs Committee approve the minutes of the May 4, 2007, EAC meeting. Mr. Jim McLaughlin seconded the motion.

By a vote of all in favor, 0 opposed, 0 abstentions, the motion was approved.

**3. Presentation, Discussion and Appropriate Action Regarding 2007 Legislative Issues.**

Mr. Patrick Klein, Assistant Director, External Affairs, began by saying that there were no updates on legislative issues since the previous EAC meeting. Mr. Klein said that the budgets had been discussed both in the House and the Senate, and explained that the legislature is

entirely focused on budget right now. There is no indication of Sine Die as of yet. However, based on what Mr. Klein has heard, he expects potential finalization of the budget in the next week and a half. After the budget has been finalized, he anticipates that the ASRS bills still out there will have no trouble passing through. He then said that he would provide an explanation of each bill if a member of the Committee had questions, or specifically requested him to do so.

Mr. McLaughlin asked if the Committee could be provided a summary of all the finalized legislation. Mr. Klein responded yes, that not only would a summary be provided, but that training sessions would be held for staff and trustees to be sure all of the legislations' impacts are understood.

Dr. Meredith asked if there was any further discussion regarding the Burke settlement legislation. Mr. Klein responded that the bill relating to the Burke settlement was probably dead. He said there was a slight possibility it still could be heard in COW, but there was no indication that either of the budgets include money earmarked for the Burke lawsuit. Dr. Meredith asked if the employers involved in lobbying effort for this legislation were in agreement with what is to be done. Mr. Klein responded that an email was sent to the employers informing them of the progress of the bill, which essentially explained to them what was just explained to the Committee and that the bill was most likely dead. Mr. Klein anticipates once Sine Die occurs, to send out another more formal letter letting all the employers know what their outstanding balance is through June 30, 2007. After June 30, the employers will deal with the lawyers directly, since our involvement had been a courtesy up to this point. Dr. Meredith asked Mr. Klein to verify if some of the employers had paid their obligation. Mr. Klein confirmed that he was correct, that of the \$5.1 million the ASRS has received roughly \$1.8 million. Mr. Klein also confirmed that the University of Arizona called Michele Briggs, Employer Relations Manager, last Wednesday to make arrangements for payment. Dr. Meredith then asked if those payments had been forwarded to the law firm. Mr. Klein confirmed, yes they had.

**4. Presentation, Discussion and Appropriate Action on Administrative Rule Article 2, State Retirement Defined Contribution Program, Section R2-8-202, Actuarial Assumptions.**

Mr. Zeman began by stating that he did not fully understand what "factors of income" meant in the amendment presented. He asked Ms. Susanne Dobel, Manager, External Affairs to please explain. Ms. Dobel said that the Board approved the docket opening for this rule in October. It came from a recommendation from the Actuary based on the June 30, 2006 valuation of the System that we needed to adjust the mortality tables in the System to a generational mortality table, which would anticipate members living longer. In an additional study, it was found that there is a factor that links higher income to longer life spans. The second recommendation was to adjust the table to include a factor for income. Mr. Chittenden added some clarification saying that last year it was recommended that the ASRS move to a generational mortality table, which anticipates improvements in mortality in the future. This table would have a mortality table for each future year, and the age 70 rate of mortality would be less than 50/50 than it is now. The Board did approve that recommendation last year and the reason this needs to go back to the board again is to get the second part approved which is about the income level. The year with the largest mortality loss was 2005, and in that year there were more deaths than were anticipated on the table, and yet we have a mortality loss. The reason being, the people who died had small liabilities and the people who lived had high income. Since the first portion has

been approved, they need the second portion to be approved so that they will both go through the rules process together. Mr. Paul Matson, Director, then added for background that the intention is that the June 30, 2006 valuation will include funded status based on both of these changes, as well as without the changes. The formal presentation will be without the changes, but then will show the funded status with the changes so it will be put in perspective. Dr. Meredith asked if that meant there would be a delay in this process. Mr. Matson responded that there should be no delay.

*(At this time, Mr. Jim McLaughlin requested of the Chair to be excused)*

**5. Presentation, Discussion, and Appropriate Action on the 5-Year-Review Report Progress Report.**

Ms. Susanne Dobel explained to the Committee that this is an annual report that the ASRS provides to the Governor's Regulatory Review Council. This report is due by June 30, 2007. This is just an update to the Committee that the ASRS is in compliance, and that the report will be submitted on time.

**6. Presentation, Discussion, and Appropriate Action on Discussions with Appropriate Stakeholders on Potential Future Legislation.**

Mr. Klein wanted the Committee to be aware of the projects that the External Affairs staff would be working on this summer, as many of the issues may result in legislative items that may be brought before the Committee for the 2008 legislative session. He provided an outline of each project manager and the tasks for which they were responsible. Issues to be addressed included various topics in the following areas:

- Benefits Administration
- Communications and Media Relations
- Employer Relations
- 2008 Legislative issues
- System Plan Issues
- Pension Issues

**7. Future EAC Agenda Items**

Mr. Zeman asked if there were any future agenda items. None were submitted.

**8. Call to the Public**

There were no speakers from the public.

**9. Adjournment of the ASRS External Affairs Committee**

Mr. Zeman asked for a motion to adjourn.

*Motion:* Mr. Harris moved that the June 1, 2007, External Affairs Committee meeting be adjourned. Dr. Meredith seconded the motion. By a vote of all in favor, 0 opposed, 0 abstentions, the motion was approved.

The EAC meeting was adjourned at 10:45 a.m.

Respectfully Submitted by,

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Angela Sockwell  
Committee Secretary

Date

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Patrick M. Klein  
Assistant Director, External Affairs

Date